High-Level Structures Supporting the Institutional Framework for Foreign Direct Investment Promotion

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Acknowledgments

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The authors would like to thank peer reviewers Richard Record and Erik von Uexkull for their valuable comments and would also like to thank Aya Akhlaque and Ivan Nimac for their much-appreciated comments, guidance, and support throughout the process of researching and writing this note.

Thanks also go to Yago Aranda Larrey and Harald Jedlicka for their assistance in verifying the details of the various case studies in the note and to Felipe Alvarado Muñoz (InvestChile) for his important inputs to the Chile case study.

Lastly, thanks to Marcy Gessel of Publication Professionals LLC for professional editing services and to Bruna Sofia Simoes for design and production services.

This publication was made possible through the financial support of the United Kingdom’s Foreign, Commonwealth and Development Office.
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Executive Summary

This note describes the options available to governments for establishing high-level institutional structures that can be used to improve the performance of their institutional framework for foreign investment promotion. The note discusses the context in which each of the options presented may be the best response to a specific problem or need.

The successful attraction, retention, and growth of foreign direct investment requires governments to consider and deliver a variety of related functions and services. Within the context of a strong investment policy, the key factors influencing the performance of investment promotion are strong institutional arrangements (including cross-institutional coordination), a coherent and targeted investment strategy, and the provision of relevant investor services.

Those functions typically are delivered by a range of investment policy, oversight, and implementing institutions, including the head of state, cabinet, lead and line ministries, national and subnational investment promotion agencies, and various specialized sector-focused and regulatory institutions.

Underperformance in the institutional framework for investment promotion may result from various causes, one of the most common being gaps, overlaps, or duplications of functions between institutions, coupled with poor coordination and communications between the relevant players. A second common reason is a lack of or poor understanding of how effective key aspects of the investment policy are at achieving policy goals, compounded by a lack of or poor feedback mechanisms from the private sector.

In such circumstances, the first reform option for a government would be to adopt measures to improve performance of the existing institutions. This effort is faster, less costly, and often politically easier than establishing a new institution. Sometimes, however, establishing a new high-level institutional arrangement might be the most effective option to address certain shortcomings, particularly if the existing institutional framework for investment promotion lacks...
The leadership and inputs from high-level public and private sector representatives.

The note analyses the features, conditions, and strengths of five high-level institutional structures that can help improve the performance of the institutional framework for investment promotion: Investor Roundtables, Investment Councils, Ministerial Committees, IPA Boards, and Expert Commissions. The note summarizes the ability of each institution type to improve institutional coordination, enhance performance, provide insight, and deliver in-depth knowledge, and it describes the features (for example, mandate, decision power, formality, duration, private sector participation) of each. Examples are provided from Albania, Greece, Costa Rica, Ghana, and Chile. The figure that follows summarizes the findings.

On the basis of the reasons for the underperformance of the existing institutional framework and the strengths of the various high-level structures, the government may decide to introduce one or a combination of those higher-level bodies, in parallel or sequentially, depending on the need. The decision of policy makers shall be based on the answers to questions such as, Why do the institutions underperform? Can the problem be solved by reforming existing institutions, or is a new high-level structure the best answer? What must be considered when establishing a new arrangement?

### Figure ES.1. Types, strengths, and primary functions of high-level institutional investment structures

<table>
<thead>
<tr>
<th>Type</th>
<th>Primary Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investor Roundtable</td>
<td>• Informal</td>
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<tr>
<td></td>
<td>• Flexible</td>
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<tr>
<td></td>
<td>• Private Sector</td>
</tr>
<tr>
<td></td>
<td>Insight provision function</td>
</tr>
<tr>
<td>Investment Council</td>
<td>• Permanent</td>
</tr>
<tr>
<td></td>
<td>• Efficient</td>
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<tr>
<td></td>
<td>• Private sector</td>
</tr>
<tr>
<td></td>
<td>Insight provision function</td>
</tr>
<tr>
<td></td>
<td>Performance enhancement function</td>
</tr>
<tr>
<td>Ministerial Committee</td>
<td>• Decision power</td>
</tr>
<tr>
<td></td>
<td>• Permanent</td>
</tr>
<tr>
<td></td>
<td>• Expedient</td>
</tr>
<tr>
<td></td>
<td>Coordination enhancement function</td>
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<td></td>
<td>Performance enhancement function</td>
</tr>
<tr>
<td>IPA Board</td>
<td>• Decision power</td>
</tr>
<tr>
<td></td>
<td>• Private sector</td>
</tr>
<tr>
<td></td>
<td>• Expedient</td>
</tr>
<tr>
<td></td>
<td>Insight provision function</td>
</tr>
<tr>
<td></td>
<td>Performance enhancement function</td>
</tr>
<tr>
<td>Expert Commission</td>
<td>• In-depth expertise</td>
</tr>
<tr>
<td></td>
<td>• Flexible</td>
</tr>
<tr>
<td></td>
<td>• Outside government</td>
</tr>
<tr>
<td></td>
<td>Knowledge delivery function</td>
</tr>
</tbody>
</table>

Source: World Bank Group summarizing the findings of this note.
Note: IPA = Investment Promotion Agency.

The note concludes that high-level institutional structures can address the underperformance of the institutional framework for foreign investment promotion when the cause has been duly identified, the strengths of the selected high-level structure match the cause of the problem, the setup follows international good practice, and the selection is based on consultations with private sector and effective interdepartmental coordination.

Finally, the note acknowledges that the research on high-level structures is at an early stage and encourages further research of the topic.
Section 1: Introduction and Purpose of Note

Successful investment promotion (IP) requires an institutional architecture that is effective at attracting and supporting the establishment and expansion of foreign direct investment (FDI). Most countries have established institutional structures for investment promotion. The core elements of such an institutional framework often involve a minister or the head of government, who has overall responsibility for investment policy decisions and supervision, supported by an institution in charge of implementing the government’s policy decisions. In many countries, a dedicated investment promotion agency (IPA) performs the implementation, often at arm’s length from government. In some countries, however, the IPA functions are partly or wholly fulfilled by a mainline ministry in charge of investment.

This “basic” model is usually complemented by additional institutions with specific investment promotion-related functions, such as agencies set up to manage special economic zones, export promotion, one-stop shops, or subnational investment promotion. If well established and coordinated effectively, the institutional framework can be successful in attracting, retaining, and expanding investments and contribute to a country achieving its development goals (Heilbron and Whyte 2019, 5).

Countries that are successful at attracting FDI have also established high-level, cross-cutting institutions capable of forming an overarching understanding of the location’s competitiveness for desired business sectors and of developing it further on an ongoing basis. In that context, a key responsibility of such institutions is the ongoing monitoring of competitiveness to better understand constraints faced by investors and to devise and implement improvements to speedily address those constraints.

Many countries have filled that need by using Investor Roundtables, Investment Councils, Ministerial Committees, IPA Boards, and Expert Commissions. Each of those types of institution

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1. Examples are the Irish Development Agency (IDA) or Invest Hong Kong.
2. For example, in Jordan or Saudi Arabia, a Ministry of Investment performs IPA functions.
has distinctly different features, strengths, functions, and place within the overall institutional landscape.

This note looks beyond the well-established institutional elements of a country’s investment policy and promotion framework to provide an overview of the overarching institutional structures that can help to improve the efficiency and effectiveness of existing frameworks. This note is one of a series of related policy notes prepared by the World Bank Group (WBG) based on available literature and the WBG’s extensive experience working in those areas in developing countries.

The note is principally aimed at policy makers charged with ensuring that the institutional structures for investment promotion operate effectively and successfully. It aims to help policy makers consider the options and select the most suitable setup to improve institutional performance. The note provides a series of good practice examples to assist policy makers in their deliberations.

Although effective high-level institutional structures might help improve effectiveness and coordination, a first-best solution in many cases might well be simplification, rationalization, or improved clarity of roles and responsibilities across public sector agencies that oversee investment. Nevertheless, many countries—including many that are very successful at attracting FDI—use such high-level institutions.

When assessing and designing the institutional framework for investment promotion, policy makers must think carefully about the critical functions that the overall institutional framework must fulfill to be successful at attracting, retaining, and growing foreign investment. Policy makers should consider which institutions of the “basic” model may be best suited to deliver specific functions. On the basis of that assessment, policy makers will be able to consider any gaps or weaknesses in the institutional framework and its functions—for example, a missing function or a lack of coordination or communication between elements of the framework. Those gaps or weaknesses can then be tackled—preferably through the reform of existing institutions or the creation of one or more high-level bodies.

The main focus of this note is to describe the options for the high-level institutional structures that can be used, if needed, to fill in gaps and improve performance and to describe the context in which each of the options may be the best response to a specific problem.

This note addresses five types of high-level institutional structures that can improve a country’s investment promotion performance:

1. Investor Roundtables
2. Investment Councils
3. Ministerial Committees
4. IPA Boards
5. Expert Commissions

To set the context for considering those five types of bodies, section 2 of this note describes the main government functions to be delivered as part of the investment promotion efforts and discusses the types of institution typically responsible for delivering each of those key functions. Within that context, section 3 then describes the types of higher-level bodies, along with their main characteristics and features, that might help to fill any gaps or weaknesses in those structures and sets out what gaps or problems each body is best equipped to address. Section 4 describes the factors that policy makers might consider in selecting which of those bodies could play a role in enhancing the existing institutional structures, and section 5 offers key conclusions and recommendations for policy makers to consider.
Section 2: Main Government Functions and Institutions Required for Effective Investment Promotion

Main Government Investment-Related Functions

The successful attraction, retention, and growth of FDI requires governments to consider and deliver a variety of related conditions and functions, which can be grouped in different ways (GIZ 2020, 6; Heilbron and Whyte 2019, 2, 3; IFC 1997, 50). For the purposes of this note, the functions are grouped as follows:

KEY FACTORS AFFECTING THE EFFECTIVENESS OF INVESTMENT POLICY AND PROMOTION

- **Strong investment policy.** A coherent investment policy contains a set of principles to guide decisions and achieve outcomes related to investment attraction, retention, and growth. A specific investment policy, based on a government’s general economic development policy, can be formulated setting out principles, priorities, and objectives to promote and facilitate investments.

- **Coherent investment strategy.** An investment strategy is a plan that sets out a certain course of action to achieve specific policy objectives. To be effective, a strategy should be based on realistic policies.

- **Effective institutional coordination.** An institutional framework for investment promotion typically involves a range of bodies—such as ministries, authorities, agencies, and associations at national and subnational levels—that are responsible for the various functions of investment promotion. Coordination between those bodies will ensure an
effective and efficient implementation of the investment policy and strategies.

- **Effective and relevant policy feedback, advocacy, and reform.** Providing feedback to policy makers on the observed shortcomings of the investment climate and general problems that investors encounter is a critical process in helping to constantly improve the investment climate. Drawing from feedback from investors, policy advocacy suggests ways to fix problems and strengthen the investment environment to help achieve the government’s policy objectives.

- **Effective investment dispute resolution management.** Having a process to identify issues (problems and bottlenecks) faced by individual investors and to find effective resolutions to those problems is necessary. Typically, a separate body, for example an ombudsman’s office, would be responsible for that work.

### CRITICAL INVESTMENT PROMOTION AND RELATED FUNCTIONS

- **Investment promotion services to investors**
  The WBG developed a framework for investor services, describing the services provided to investors across the four stages of the investor life cycle, from attraction to entry and establishment to investor retention to expansion and on to linkages and spillovers into the wider economy (see figure 1).

>>> Figure 1. WBG Comprehensive Investor Services Framework

<table>
<thead>
<tr>
<th>Category</th>
<th>Stages</th>
<th>Attraction</th>
<th>Entry and Establishment</th>
<th>Retention and Expansion</th>
<th>Linkages and Spillovers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing</td>
<td>✔</td>
<td></td>
<td></td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Information</td>
<td>✔</td>
<td>✔</td>
<td></td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Assistance</td>
<td>✔</td>
<td>✔</td>
<td></td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Advocacy</td>
<td>✔</td>
<td>✔</td>
<td></td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>

Note: WBG = World Bank Group.

WBG research highlights the importance of having IPAs provide relevant, high-quality services to investors across all the stages of the investor journey to meet investors’ needs. **Marketing services** are key investment-generation activities designed to attract the attention of prospective investors and present the case for locating in the country in question. **Information services** play a key role at all stages of the investment decision-making process, providing investors with relevant and accurate information on all aspects of investing in the location. **Assistance services** provided by government agencies make up a set of actions that proactively support investors’ exploration, establishment, operation, retention, and expansion. Finally, **advocacy services** are designed to assess the issues investors face in setting up and operating in the economy and then advocating for reforms and improvements on their behalf.

- **Regulatory functions**
  Critical to underpinning those investor services is an effective and administratively straightforward set of investment regulations, defining the sum of all investor rights and obligations set by legislation and implemented by regulatory authorities. Those regulations include, for example, investment incentives, market access rules, licensing requirements, tax and customs laws, product and labor standards, consumer protection requirements, sector legislation, and so forth. IPAs typically work...
closely with the relevant regulatory bodies to ensure the flow of good-quality information to advise investors, and they advocate for reforms, as necessary. Best practice institutional structures also require arrangements for the identification and resolution of state–investor disputes.

The World Trade Organization (WTO) launched an important global initiative, the Investment Facilitation for Development Agreement (IFS), to ensure a minimum level of service delivery quality is offered to investors by national IPAs in every country. Appendix A contains a short description.

**Government Institutions Best Suited for Delivering Investment Promotion Functions**

A country’s institutional structures for effective private investment must be able to develop, adopt, and monitor a coherent and coordinated investment policy at the national and subnational levels and ensure its efficient implementation. Those tasks often require a complex, well-coordinated set of institutions, typically with each institution specializing to execute one or several core functions, which, by their nature, are also related to investment policy and promotion functions as part of the overall institutional structures. This structure also may include institutions whose main functions are not related to investment promotion but that nevertheless play a key role in supporting the promotional efforts—for example, the country’s ports. The quality of the institutional framework directly influences the coherence of policy direction, formulation, and implementation and directly affects policy outcomes (Heilbron and Whyte 2019, 2).

The institutional landscape for investment policy and promotion typically involves the following institutions:

**INVESTMENT POLICY AND OVERSIGHT INSTITUTIONS**

- The office of the president or prime minister and the cabinet give guidance regarding the national investment policy and may oversee investment policy coordination.
- The lead ministry responsible for private sector investment undertakes the executive leadership role, including the legal framework, detailed policy formulation, execution, and coordination; oversees operational delivery agencies; and manages the involvement of private sector stakeholders through appropriate information and consultation mechanisms. The lead ministry—for example, a ministry of industry or ministry of economy—often is also in charge of investment policy coordination across government.
- Line ministries provide inputs to the national investment policy and may make private sector investment–related (sector) policy decisions (for example, the Ministry of Finance, Labor, Education, Public Works, Tourism, or Mining, to name a few that get involved most often). The lead ministry typically administers the institutional and regulatory aspects of private sector investment policy.

**INVESTMENT POLICY IMPLEMENTATION AND INVESTMENT PROMOTION INSTITUTIONS**

- The national investment promotion agency (IPA) is, in most countries, the lead implementing institution for investment promotion, which is responsible for attracting and retaining foreign direct investment and providing specialized support services to foreign investors in their establishment and rooting in the country. The IPAs ideally also advocate for relevant policy reforms and are, therefore, also influencing investment policy and ecosystem decisions.
- The national IPA, typically in many larger countries, works with a range of subnational IPAs. The subnational IPAs provide provincial or local support for the attraction and retention of foreign investment and, in coordination with the national IPA, directly provide a range of local investor services.
- Specialized institutions, such as export promotion agencies, special economic zone authorities, and privatization agencies, carry relevant mandates for other aspects of investment policy, such as trade or the management of state property.
- Regulatory authorities—for example, one-stop shops, tax and customs authorities, licensing authorities, and immigration offices—contribute significantly to the investment climate.
Figure 2 presents an illustration of a typical investment promotion landscape.

Figure 2. Generic institutional landscape for investment promotion, including high-level institutional structures

Common Government Structure for Investment Policy and Implementation

President/Prime Minister, Cabinet

Lead Ministry

Line Ministries

IPA

Other Investment-Related institutions

Regulatory Authorities

Subnational Investment Promotion Agencies and Investment-Related Regulatory Institutions

Note: IPA = Investment Promotion Agency.

A review of research, literature, and global experiences has identified key principles that define the characteristics of effective FDI institutional structures. Those principles cover the mandate, structure, and competence of investment promotion institutional structures and the need for support and coordination across government, as summarized in box 1.

**BOX 1. KEY PRINCIPLES FOR EFFECTIVE FDI INSTITUTIONAL STRUCTURES**

- A strong alignment across government that stems from a clear national development plan or objective, vision, or strategy—including foreign direct investment (FDI)—with clear priorities and sequencing;
- Government support for FDI promotion from the highest level (for example, the president or prime minister) that directly or indirectly champions the needed policy, legal, regulatory, and institutional reforms;
- Systematic and reform-oriented consultation with the private sector;
- A strong, clear, and uncontested mandate for each institution that also stems from the national development objectives and avoids any possible conflicts of interest;
- Sufficient and sustained financial and human resources to properly deliver the mandate of each agency;
- A clear focus on results management; and
- Strong partnerships and coordination mechanisms with public and private sectors at national and subnational levels to ensure consistency between institutions.

Source: Heilbron and Whyte 2019, 6.
Table 1 illustrates how the critical conditions and functions for attracting and retaining FDI may be allocated to the various government institutions primarily responsible for their execution (which may differ from country to country).

Table 1. Summary of key investment promotion functions and responsible institutions

<table>
<thead>
<tr>
<th>Investment Function</th>
<th>Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Policy</td>
<td>Head of State, Cabinet, Lead Ministry</td>
</tr>
<tr>
<td>Investment Strategy</td>
<td>Lead Ministry, IPA</td>
</tr>
<tr>
<td>Cross-Institutional Coordination</td>
<td>PM’s Office, Lead Ministry, IPA</td>
</tr>
<tr>
<td>Image Building for Investment</td>
<td>PM’s Office, Lead Ministry, Line Ministries, IPA, SEZA</td>
</tr>
<tr>
<td>Investment Generation</td>
<td>IPA, SEZA</td>
</tr>
<tr>
<td>Investor Support Services</td>
<td>IPA, OSS</td>
</tr>
<tr>
<td>Policy Advocacy</td>
<td>IPA, Associations, SEZA</td>
</tr>
<tr>
<td>Investment Regulation</td>
<td>National and Subnational Regulatory Authorities</td>
</tr>
</tbody>
</table>

Source: Adapted from Heibron and Whyte. 2019, p. 3.
Note: IPA = Investment Promotion Agency; OSS = One-Stop Shop; PM = Prime Minister; SEZA = Special Economic Zone Authority.
Section 3: High-Level Institutional Options to Enhance System Performance

A country’s efforts to attract, retain, and grow foreign private investment do not always deliver the results aimed for or expected; most investment promotion setups have room for improvements.

A diagnostic may reveal the reasons for the poor or less-than-desired performance. In its 30 years of experience in analyzing and improving the national and subnational institutional framework for investment promotion of countries, the World Bank Group has encountered a range of reasons for the poor performance of investment promotion institutions. Most common are gaps, overlaps, or duplication of functions between institutions, coupled with poor coordination and communication. Often underpinning those issues is a lack of or poor understanding of how effective key aspects of the investment policy are at achieving policy goals, compounded by a lack of or poor feedback mechanisms from the private sector.

Having identified weaknesses or failures, a country faces a first reform option to adopt measures to improve the existing institutions, which is faster, less costly, and often politically easier than establishing a new institution. Sometimes, however, establishing a new high-level institutional arrangement might be the most effective option to address certain shortcomings, particularly if the existing institutional framework for investment promotion lacks the leadership and inputs from high-level public and private sector representatives.

*High-level* in this context means two things. First, the core (public and private) members of the body are the highest level in terms of authority or influence. High-level government representatives include the head of state, ministers, and permanent secretaries; on the private sector side, they are chief executive officers (CEOs) or owners of the largest or most important enterprises, high-level chamber and association representatives, and, in some cases, leading academics.
Second, high-level concerns the position of the respective investment body in the state’s institutional hierarchy. A body is considered high level when it has formal or informal access to senior decision-makers in the government.

High-level institutional structures for investment promotion can have various features, functions, and strengths depending on how they are structured, set up, and positioned in government. After analyzing the performance of the existing institutions, identifying any shortcomings, and deciding that an additional high-level arrangement could address the gaps, a government must consider doing two things: (1) select which primary function the additional arrangement needs to fulfill, and (2) identify the type of structure and its features that can deliver the function. In that respect, “form follows function” (Sullivan 1896).

Figure 3 summarizes the content of this section by describing the strengths of each type of structure and its best-matching functions.

### Figure 3. Types, strengths, and primary functions of high-level institutional investment structures

<table>
<thead>
<tr>
<th>Primary Functions</th>
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</thead>
<tbody>
<tr>
<td><strong>Investor Roundtable</strong></td>
</tr>
<tr>
<td>• Informal</td>
</tr>
<tr>
<td>• Flexible</td>
</tr>
<tr>
<td>• Private Sector</td>
</tr>
<tr>
<td>Disclosure function</td>
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<tr>
<td><strong>Investment Council</strong></td>
</tr>
<tr>
<td>• Permanent</td>
</tr>
<tr>
<td>• Efficient</td>
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<tr>
<td>• Private sector</td>
</tr>
<tr>
<td>Performance enhancement function</td>
</tr>
<tr>
<td><strong>Ministerial Committee</strong></td>
</tr>
<tr>
<td>• Decision power</td>
</tr>
<tr>
<td>• Permanent</td>
</tr>
<tr>
<td>• Expedient</td>
</tr>
<tr>
<td>Coordination improvement function</td>
</tr>
<tr>
<td><strong>IPA Board</strong></td>
</tr>
<tr>
<td>• Decision power</td>
</tr>
<tr>
<td>• Private sector</td>
</tr>
<tr>
<td>• Expedient</td>
</tr>
<tr>
<td>Performance enhancement function</td>
</tr>
<tr>
<td><strong>Expert Commission</strong></td>
</tr>
<tr>
<td>• In-depth expertise</td>
</tr>
<tr>
<td>• Flexible</td>
</tr>
<tr>
<td>• Outside government</td>
</tr>
<tr>
<td>Knowledge delivery function</td>
</tr>
</tbody>
</table>

Note: IPA = Investment Promotion Agency.

### Functions of High-Level Institutional Structures

Depending on the types and their setup, high-level institutional structures may improve the overall performance of the institutional framework for investment promotion with the following functions—which are not exclusive—typically working in parallel or sequentially:

- **Coordination improvement function.** The effectiveness of investment promotion depends strongly on the coordination of the involved stakeholders. The WBG has experienced many situations in which duplication of functions or gaps in functions cause investor confusion and frustration and waste resources.

  This issue concerns the coordination of the government’s investment policy, including its various subpolicies that
influence the attraction and retention of investments, such as policies on tax, trade, transport, tourism, special economic zones, energy, and so on. It also concerns strategies, particularly those for achieving the stated policy goals. Moreover, considering that many specialized authorities and agencies are responsible for various parts of the investment climate, the implementation of adopted policies and strategies must be coordinated.

Finally, measures of national and subnational levels may have to be coordinated. Instruments of the coordination function include coordination meetings, reporting lines, information sharing agreements, or memorandums of understanding (MoUs) and service-level agreements (SLAs) between institutions.

**Performance enhancement function.** High-level structures often independently monitor and assess the performance of implementing authorities. Such activities provide information on the performance and value of institutions for investors in practice from the investor’s perspective. Key performance indicators (KPIs) can be suggested that measure performance in areas that matter to investors and the location. Participation of the private sector in providing feedback can give a reality check to the government on factors important to the functioning of markets and on market changes.

Instruments to fulfill this function can include systematic and regular investor surveys, research to establish the impact of key constraints in the investment climate, and the development of detailed case studies that examine the interaction between businesses, agencies, and regulatory authorities.

**Insight provision function.** Information is key for the government to improve the investment climate and adopt the right measures. The government needs to know what works and what does not work from the investor’s perspective—what should be the priorities, what causes delays and regulatory costs, what administrative procedures are inefficient, what legislation can be improved, which authorities are inefficient, and so on. Through a well-structured, higher-level institutional arrangement, investors can provide the government with insights only they know about situations such as bottlenecks and difficulties on the ground.

For example, multinational enterprises constantly benchmark their operations, whose performance is a reflection of the investment climate in the location in which they operate. As such, they know which of their locations do well and which investment climate approaches could be potentially adopted by other countries in which they operate. They are well placed to offer specific suggestions, cross-fertilizing good practices from one country to another. Instruments of the feedback function include surveys of investors’ attitudes and experiences, focus group sessions, open dialogue between decision-makers in the government and investors, written recommendations, a follow-up on decisions taken, and continuous monitoring of the impact of those decisions on the investment climate.
Main Features of High-Level Institutional Structures

High-level institutional structures can vary depending on the following definitional features (illustrated in figure 4):

- **Mandate.** An arrangement may have a clear mandate prescribed in a document (law decree, government decision), which may be specific or broad. Particularly when the arrangement is more informal, the task may be broadly formulated or mentioned only in the invitation to the meeting. The more an arrangement is expected to have tangible outcomes, the more important is a clearly formulated mandate.

- **Decision power or advisory.** A high-level arrangement may have the power to decide on a reform agenda, institutional changes, or the implementation of reforms. It may also have none of those responsibilities and might purely be advisory to the government or parts of the government.

- **Degree of formality.** A high-level institutional arrangement may be formalized in the sense that it is established by law, decree, or government decision, which also usually prescribes the establishment of a secretariat, the mandate and composition of the body, and the internal procedures to appoint members, conduct meetings, make decisions, and issue documents. On the other side of the spectrum is an informal arrangement in which the head of state or a minister invites individuals to exchange views without any set procedures. A high degree of formality may ensure more commitment of the members, a clear agenda, continuity, and tangible outcomes. A more informal arrangement is more flexible and can be put into motion instantly.

- **Permanent, temporary, or ad hoc.** An arrangement may be a one-off event, with or without follow-up meetings. It may also be a temporary establishment, dependent on the solution of a specific problem or to one governmental period. Finally, the arrangement may be permanent, without any time limit. Such structures have often a venue, long-term members, and a secretariat.

- **Degree of private sector participation.** High-level institutional structures may include no private sector members, some private sector members (minority or majority), or only private sector members. The ratio of public-private participants depends on the function the institution is designed to fulfill.

Figure 4. Main defining characteristics of high-level investment promotion structures

Types of High-Level Institutional Structures: Characteristics, Strengths, and Good Practice

High-level investment structures can be categorized as one of five types with the following characteristics, strengths, and principles of good practice:

1. Investor Roundtables

Investor roundtables include all forms of informal, high-level, public-private dialogue, such as occasional investor conferences, meetings between business leaders and the government, or regular fixed meetings (jour fixe) between business and government representatives. The gatherings may be of an ad hoc or permanent nature, and participating representatives from both sides may vary from meeting to meeting. These types of structures have solely consultative and advisory functions.

The main strengths of investor roundtables are the private sector participation, informality, and flexibility. Typically informal, they usually do not have legal requirements, prerequisites, or conditions; therefore, they are to a large extent flexible regarding their participation, agenda, location, and format. The government can set up roundtables at relatively short notice, target the agenda at specific issues, and invite participants in numbers and with experience as it sees fit. This type of engagement could also stem from well-organized, proactive chambers of commerce and industry groups calling the government to discuss issues or areas needing improvement.

Because of the flexibility of investor roundtables, some high-level private sector participants may find them more attractive than other options because participants do not have to follow any administrative procedure to attend or commit for more than the current event. This aspect gives the government the opportunity to more easily gain access to high-level private sector resources and collect valuable knowledge from important businesspersons. Investor roundtables are ideal for providing the government with insights from the private sector.

Investor roundtables should be set up with a clear purpose and agenda and a plan for how to transform their outputs into actions. Box 2 provides principles of good practice in using public-private dialogue in formats such as investor roundtables, but those principles can also be applied to other sorts of structures in which private sector input is required. The more tangible results these public-private structures get, the higher their credibility and subsequent participation. On the contrary, if private sector representatives do not see traction on the recommendations, they stop participating.

Despite their relative informality, investor roundtables can develop further in due course into more formal public-private dialogues (PPD), including Investment Councils (see the next type).

**BOX 2. PRINCIPLES OF GOOD PRACTICE IN USING PUBLIC-PRIVATE DIALOGUE**

1. Contextual design: specifically designing agenda, membership, and time frames to be most relevant to the topics to be discussed, taking into account various forms, levels, and time frames.
2. Open governance process: functioning under open, transparent, and fair governance rules.
5. Facilitation: being facilitated professionally with dedicated staff and resources.
6. Champions: having leadership from a set of individuals or organizations.
7. Outputs: consisting of structure and process outputs, analytical outputs, and soft outputs or recommendations.
8. Outreach and communications: enabling communication of a shared vision.
10. Appropriate area and scope: tailoring the dialogue to the set of issues to be addressed.
12. Development partners: benefiting from their input and support, partnership, coordination, and additionality.
13. Sustainability: sustaining the public-private dialogue platform by transferring its operations, management, or financing from a development partner to local institutions.

Source: Herzberg and Sisombat 2016.
2. Investment Councils

This type includes forms of formalized, permanent structures for high-level public-private dialogue (see box 2). Investment councils are typically of a more permanent or longer-lasting nature. They have a mandate and often a legal basis with defined rules of engagement. Investment councils meet regularly and consist of members from the private and public sectors. To ensure an efficient operation, investment councils usually have a secretariat in charge of the daily and ongoing organizational work (including agenda setting, actioning decisions, monitoring actions to be taken, and reporting back to the council on progress). Investment councils typically have only an advisory function to the government.

Examples of investment councils are the Albania Investment Council, the International Advisory Council in Singapore, the Moldova Economic Council, the Policy Advisory Group in New Zealand, the Kyrgyz Republic Investment Council, the Tajikistan Investment Council, the UK Investment Council, and the USA Investment Advisory Council. Several such high-level councils have been established in Africa (for example, le Haut Conseil pour l’investissement in Gabon). Box 3 describes the features of the Albania Investment Council.

The main strengths of investment councils are private sector participation, their permanent character, and the continuity and credibility that comes with being permanent. The members typically meet regularly, recommendations can be discussed and elaborated, feedback can be provided on government decisions, background studies can be commissioned, and changes or reforms can be recommended, monitored, and fine tuned. Investment councils are ideal for providing insights from the private sector and for addressing them with a longer perspective than investor roundtables.

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BOX 3. ALBANIA INVESTMENT COUNCIL

Albania took a significant step to enhance the way its institutional framework works by establishing the Albania Investment Council (AIC) in 2015. By decision of the council of ministers, the AIC is a platform set up by the Albanian authorities with support from the European Bank for Reconstruction and Development (EBRD) to intensify the dialogue between the government and the private sector, improve the business climate, and promote good governance.

**Mandate.** The AIC is mandated to facilitate the dialogue between representatives from the business community, partners for development, and the government for the development of a favorable, nondiscriminatory, and transparent business and investment environment. Its role is to make concrete recommendations to the prime minister and the line ministries to initiate normative acts designed to improve the business environment.

**Composition.** The AIC is chaired by the minister for the protection of entrepreneurship and has 14 members, 8 of them permanent and 6 members appointed for a two-year term. The permanent members are (1) the government (minister for the protection of entrepreneurship, Bank of Albania, Albanian Investment Development Agency); (2) partners for development (EBRD, World Bank/International Finance Corporation IFC, European Union [EU] delegation); and (3) chambers of trade and industry (Union of Chambers, Tirana Chamber). Members with nonpermanent status and a two-year mandate include four business associations and two with ad hoc status from commercial companies. Members do not receive payment for their membership on the council.

**Secretariat.** The work of the council is supported by a secretariat, an independent body of professionals selected and contracted by the EBRD to directly engage with the business community. The secretariat’s mandate is to directly engage with the business community, with a senior figure acting as the head of the secretariat. The secretariat prepares the meetings’ agenda, maintains strong relations with all stakeholders and interested parties, and is fully accessible to all companies operating in Albania.

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Procedures and outcome. The council meets at least four times a year. All AIC members and interested businesses vote on topics to be addressed at AIC meetings. To date, the AIC has held more than 20 meetings, covering priority areas such as tax and customs administration, informality in sectors such as agriculture and tourism, policies and incentives for investments, dispute resolution, skills, e-services, and so forth. Since 2015, the AIC has issued 274 recommendations, 40.5 percent of which have been implemented (to date), 15 percent in the process of implementation, and the remaining 44.5 percent still to be implemented.

Most of the recommendations are still to be implemented, and their impacts will be assessed, in the long term. For monitoring purposes, at each meeting of the council, the secretariat informs its members on the status, achievements, and follow-up actions on the recommendations endorsed in previous AIC meetings and submitted to the government. A monitoring report that summarizes all recommendations and their outcomes is published annually.


Investment councils contribute to good public governance by providing important, evidence-based insights from the private sector (insight provision function) and initiating reforms for a better investment climate (performance enhancement function). When an economy lacks information about the performance of the regulatory and administrative framework from the investor perspective or has a poor reform record, the establishment of an investment council can help.

According to the European Bank for Reconstruction and Development (EBRD), which has supported the establishment of investment councils in various countries, the councils can deliver their mission only if those platforms remain transparent, independent, and inclusive (EBRD n.d.). A World Bank impact assessment of investment councils in five African countries concluded that the assessed councils had a positive impact on private sector development. According to the analysis, the critical success factors were presidential commitment and leadership, the drive by government champions, the composition of the council and working groups and the competencies and leadership skills of their members, and the organizational and coordination skills of the secretariats. 4

Available research and case studies indicate that the following principles should be considered to ensure transparency, independence, and inclusiveness when setting up a permanent investment council for a high-level public-private dialogue. The investment council should have

- **A highest-level government representative as chair.**
  This choice shows the importance of the council and sends a clear signal of commitment and willingness to listen and make changes. Both increase the attractiveness of the council for high-level private sector participation.

- **A strong legal base.** A primary or secondary legal instrument should establish the council and include the basic features, including clear and transparent procedures and a good degree of flexibility to react on changes. The council should be funded by government and should be accountable to the cabinet, the prime minister or president, or the line ministry under which it operates. An internal charter may provide further details on the mandate and procedures.

- **A clear mandate and objective.** The mandate helps the council focus its agenda and efforts. It should be broad enough to give flexibility and detailed enough to provide guidance. It should also be ambitious but realistic to avoid disappointments, loss of motivation, and reputational damage along the way. An achievable action plan with a monitoring mechanism agreed to by all members could be a good starting point for a council.

- **Public and private sector members, with consistent participation by both.** The main benefit of an investment council from the government’s perspective is to learn firsthand about doing business in the country.

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4. The World Bank suggests the following guiding principles for investment councils: a mission statement and clear objectives; regular reviews to weed out uncommitted members and ensure balance; termination is always an option; champions from the local private sector; greater transparency to reach out to the local private sector; and a secretariat with credibility and dynamic, professional staff (World Bank 2005, 2–5, 13–15).
Entrepreneurs know best about investment opportunities and the difficulties the business community faces when operating in the country. From the business perspective, a council is attractive when the concerns can be addressed directly to those who make decisions.

- **High-level, competent, members.** The government should be represented by the head of state or relevant line ministers or their deputies to ensure that decision-makers are at the table. The private sector should be represented by business leaders with broad experience in doing business in the country. The appointment procedures should follow guidelines to ensure that members are transparently elected from specific (general, sectoral, bi- and multinational) business chambers and associations. Appointments should be made for a set length of time to ensure continuity and momentum in the council’s deliberations.

- **An effective secretariat.** An effective and efficient organization is essential for its success. This includes the communication with the public. High-level councils do not meet very often, so those few meetings and their outputs should be well prepared and their agreements should have proper follow-through by the secretariat. In some cases, the IPA plays this role.

- **Clearly defined outputs and monitoring mechanisms.** The form and content of the advice provided by the council to the government and the nature of the reports should be clearly defined—for example, as white papers with general or specific recommendations. The council should also advise how follow-up of the recommendations will be done. This approach should ensure that the meetings are more than just discussions.

- **A mandate to be transparent.** Although the meetings must not be publicly available (to allow detailed and confidential discussions), the council’s outputs (in the form of nonconfidential minutes or reports) should be transparent and public should know who the members of the council are, when it meets, what issues are on the agenda, and what has been decided. That transparency increases the accountability of the council and gives the public an opportunity to discuss the issues and recommendations.

- **Independence from government influence.** A council is valuable for the government only if the members can voice their views freely and without interference. The independence of the council should be guaranteed, including nonretaliation to private sector members who bring difficult issues to the table.

3. Ministerial Committees

Ministerial committees can include formalized or informal gatherings of a subset of relevant government ministers to formulate and coordinate investment or economic policies across the government and its entities. Although ministerial committees often have a fixed membership—a specific set of ministers—their participation is often flexible, depending on the agenda of the meeting, and they are often able to designate a stand-in to deputize—perhaps a deputy minister or permanent secretary—if the minister is not available for a meeting. Additional ministers and high-level government officials or internal and external experts may also be invited, depending on the topics for discussion. Ministerial committees can and often are set up to make decisions, either as the committee itself or through the power of its members.

Examples of ministerial committees include the Ministerial Committee on Economic Policy (Finland), Cabinet Committees (India), Committee of Ministers for the Development and Promotion of Foreign Investment (Chile), the Ethiopian Board of Investment, and Inter-Ministerial Committees (Singapore). Box 4 describes the Inter-Ministerial Committee for Strategic Investments in Greece.

Ministerial committees are ideal for improving coordination among government institutions. Their main strengths are their ability to coordinate across government, make decisions, and command execution and implementation on a range of issues. The members of a ministerial committee are ministers and, by that definition, are endowed with the power to make decisions. This decision power usually goes beyond the portfolio of a single ministry or the authority of the chairperson, thus giving a high degree of cross-government authority to ensure the coherent and efficient work of the government and its authorities. The committee can identify and address any inconsistencies in policies or their implementation and poor performance of regulatory authorities.
Ministerial committees can help make the often-complex overall institutional framework for investment policy and implementation more efficient by improving the coordination of the various stakeholders. A subset of the cabinet usually led by the prime minister can achieve that goal.

Research and available case studies point to the following principles to be considered when setting up a ministerial committee:

- **All ministers relevant for investment should be members.** Core members could be the minister in charge of investment, the minister of finance and line ministers that cover sectors attractive for investors (for example, the minister of tourism or the minister of certain natural resources). The lead implementing agencies must be present to ensure a strong link between policy decisions and effective implementation but also as an upward feedback loop for policy making.

- **A ministerial committee should invite additional ministers or experts on specific issues.** Specific issues may need the expertise of a minister not permanently a member of the ministerial committee—such as ministers in charge of infrastructure or public works, labor, or education—when a particular topic they oversee becomes crucial for investment. Furthermore, if another government or nongovernment expert may be useful for specific topics, that expert should be invited.

- **Ministers should appoint deputies in case of absence.** Ministers are not always available and should appoint deputies, such as a deputy minister or permanent secretary, to fill in if the minister cannot attend a meeting; however, to ensure continuity, that practice should be an exception. Having different representatives for the same ministry each time the committee meets is not a good practice.

- **Senior-level technical staff should assist the ministries.** Each minister should have senior staff with him or her to provide further expertise and ensure follow-through and implementation of the decisions made.

- **A chair and secretariat should be identified.** A chair, preferably the prime minister or the most senior minister, and a secretariat should be identified to ensure effective functioning of the ministerial committee. The secretariat would prepare the agenda, provide necessary briefings and documents, keep minutes of the meetings, and follow up on decisions.
• The committee should have a clear format and agenda. Certain formalities should be standardized to prepare for and ensure efficient meetings, including the frequency and format of the meetings, the timelines for providing background documents to the members, the agenda, and the meetings schedule. Well-performing committees have adopted project- or issue-tracking dashboards that update members on progress, identify issues, and suggest solutions with a timeline and a responsible unit or person.

• Meetings should be follow a regular schedule. Because ministers have busy schedules, a regular meeting schedule with fixed dates and meeting durations enable ministers to plan ahead and attend more easily.

Box 5 provides a description of the Costa Rica–Intel case, in which the establishment of a ministerial coordination committee to oversee progress with the investment was deemed to have been a key factor in the country’s ultimate success in attracting Intel.

**BOX 5. INTEL AND COSTA RICA**

When Costa Rica landed an enormous Intel investment in 1996, an important part of the country’s promotional efforts was the establishment of an interministerial committee to ensure that all relevant government departments responded to Intel’s needs in a timely and consistent fashion.

The committee was a key feature in attracting Intel. It met on a regular basis throughout the project attraction and entry stages—even meeting weekly when necessary. The country’s president attended most meetings, which took place against a “dashboard” of ongoing issues to make sure that all issues were resolved. As issues arose, the committee would immediately charge the relevant minister to review and propose a solution within a given timescale, with the committee following up on progress at an appropriate meeting.

Sources: World Bank Group; Spar 1998.

4. Boards of Directors and Advisory Councils of the Investment Promotion Agency (IPA Board)

IPA boards and advisory councils are formalized organs of the government agency in charge of investment promotion. Almost three-fourths of IPAs responding to the World Association of Investment Promotion Agencies (WAIPA)-WB global survey reported having a board of directors, averaging 11 members, and most reported having board members that represented both public and private sectors (Sanchiz and Omic 2020).

For those IPAs that have a board of directors, their main functions tend to be supervisory. They can have either decision-making powers or advisory roles. Decision power may include the appointment of the IPA’s chief executive officer and approval of the IPA strategy, IPA business plan, IPA targets, or IPA activity reports.

Having public and private sector representatives on IPA boards is considered good practice, especially given that the IPA typically operates as a connector between government and the business community (Heilbron and Kronfol 2020; OECD 2015a, 39). IPA boards usually have a legal basis that spells out their composition, mandate, functions, and powers and the fundamental procedures by which they must operate, such as meeting frequency, quorum, the appointment and termination of the board’s chairperson and its members, the duration of a term (typically two to four years), how to deal with incompatibilities and conflict of interests, and so forth.

Examples of IPAs with supervisory or advisory boards include IDA Ireland, Polish Investment and Trade Agency, Investment Fiji, Invest India, EDB Singapore, CINDE (Costa Rica), and Invest Saint Lucia. Box 6 describes the setup and functions of the board of directors of the Ghana Investment Promotion Center (GIPC).

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5. According to an Organisation for Economic Co-operation and Development (OECD) survey of 32 OECD economies, more than 69 percent of IPAs had a board of directors, either supervisory or advisory. IPAs with a higher degree of legal autonomy tend to be governed by a board; 17 of the 22 IPAs with boards included private sector representatives (OECD 2018, 22–23). In the Latin America and the Caribbean region, 86 percent of the 19 IPAs have a board (Volpe Martinus and Sztajerowska 2019).
The main strength of IPA Boards is the accountability and dynamism stemming from private sector participation (when such members are included in the board) and the permanent nature and location of the board operating between policy and implementation. IPA Boards are an organ of the IPA and, as such, are a permanent body in charge to guarantee the efficient implementation of the government’s investment policy. The IPA Board combines private sector insights and the power to make concrete decisions, promoting an efficient implementation of the national or subnational investment policy within the mandate of the IPA. The board is an ideal mechanism to provide insights from the private sector and transform them into a targeted and high-performing investment promotion institution. The World Bank has found a significant correlation between an IPA’s performance and its having a board of directors, with a considerably higher number of members from the private sector (Heilbron, forthcoming).

The value of an IPA board of directors, particularly for quasi-government investment promotion agencies, is two-fold. The board plays an important role as a link to the government because it includes high-level representatives from the ministries. Government officials on the board can help explain to the government how an IPA operates and what is needed to successfully appeal to the business community. The officials also have better access to the bureaucracy to help solve problems for investors within government.

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**BOX 6. THE BOARD OF DIRECTORS OF THE GHANA INVESTMENT PROMOTION CENTRE (GIPC)**

The GIPC was established by law in 2013 as a state-owned body. The GIPC’s mandate is to create an enhanced, transparent, and responsive environment for investment and to contribute to the development of the Ghanaian economy through investment. GIPC is asked to encourage, promote, and facilitate investment in the country. The governance structure of the center includes a board of directors, a chief executive officer (CEO), a technical committee, and, potentially, additional committees.

The board of directors has 10 members appointed for four years, with a maximum of two terms. Five board members are from the public sector, including the governor of the Central Bank, director-general of the National Development Planning Commission, ministers or deputy ministers from Ministry of Trade and the Ministry of Finance, and the CEO of GIPC. Four board members are from outside the public sector, two of whom must be women. Finally, the board has a chairperson. The four non–public sector representatives and the chairperson are appointed by the president.

The board meets at least every three months and has the following functions:

- Provide policy guidance and give advice to ensure the proper and effective performance of the functions of the center;
- Design, review, formulate, and adopt a national strategy for promoting domestic and foreign investment;
- Establish advisory committees as it may see fit;
- Submit an annual report of the center’s activities to the president;
- Approve the investment promotion operations and marketing plans proposed by the CEO for implementation by the center;
- Identify obstacles to investment in Ghana, make proposals and suggestions to the president through the minister on steps that should be taken to remove the obstacles, and foster effective linkages between the appropriate institutions and agencies to remove the obstacles to investment; and
- Make recommendations to the president through the minister on incentives for the promotion of investment and eligibility criteria for the incentives and priority areas of investment.

Business owners and business associations as members of the IPA Board bring a stronger business perspective to the IPA’s work and create more credibility across the business community. Wells and Wint (1990 (revised 2000), 173) explain that private sector members are likely to emphasize performance, improve the agency’s understanding of how decisions are made in the private sector, and provide information on barriers to investment in the country.

Good practice principles for establishing an IPA board are as follows (UNIDO 2003, 46–49f):

- **A strong legal base.** A strong legal base for the organizational structure and the mandate of the board provides stability within the agency and with other stakeholders. The legal instrument may be an institutional chapter in an investment law, part of a stand-alone IPA law, or a secondary legislative piece (regulation, decree, ordinance, order, charter of Incorporation, and so forth).

- **Independence.** A key factor for success of the agency is to have an independent board, which approves its policies, strategies, and budgets and oversees its day-to-day activities. The board should be independent of day-to-day government interference.

- **Clear powers, functions, and responsibilities.** To avoid inefficiencies due to turf battles and disputes over competencies, the role of the board and its members must be clear. Is it an advisory board, or does it have decision power? If it has decision power, what decisions must, can, or shall be taken by the board? What are the reporting obligations of the board? What are the institutional responsibilities concerning the IPA management?

- **High-level board membership.** The strength of an IPA depends largely on its access to the government and the business community. High-level members, whether public or private sector representatives, can provide this access and contribute to the performance of the agency. The membership composition of the board—or at least the appointment procedure—shall be established by the legal base.

- **Substantial, and even majority, private sector membership.** Private sector membership increases the agency’s credibility with private sector investors, provides independence from the day-to-day pressures of government, and helps create a suitable management and promotional culture. Furthermore, many of an IPA’s activities require typical private sector skills, such as marketing, advertising, selling, and customer service. Private sector representatives can bring management skills to the agency to foster service orientation and boost operational systems within the agency.

- **Open and transparent procedures for identifying and appointing board members.** Private sector board members must be appointed because of their knowledge and capabilities to advise and govern the IPA objectively and honestly. An open and transparent process could include the government openly canvassing nominations for new members against set criteria, and an independent committee set up to consider nominations and other options before making recommendations to the prime minister or relevant minister.

- **Issuance of appointment letters with clear guidelines on the member’s behaviors, roles, and responsibilities.** For example, clear procedures for handling potential conflicts of interest. A board with private sector members would irremediably encounter such situations. In advance of such situations, a protocol or procedures should be in place to identify them and adhere to the rules for managing the conflict. For instance, a board member who seems to have a conflict about an issue may not vote on related issues.

### 5. Expert Commissions

Expert commissions are an ideal mechanism for the government to obtain high-quality outside knowledge about any relevant subject. Expert commissions include ad hoc and permanent structures to provide (usually technical) expertise and advice to the government on specific issues. An expert commission may be established to advise on one specific question or topic, or it may be a formalized, integral part of the government, such as the German Council of Economic Experts, established by law, with five economics professors as members and tasked with issuing an annual economic report, special reports upon government request, and an economic outlook. Another example for a standing

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7. For example, conflicts of interest could arise if a board member owns or has a substantial interest in a company that is a competitor or a supplier of a particular investment under consideration, or if the board member seeks to use classified information to gain advantage in winning new commercial relations with the incoming investor.
commission of experts is the technical committee established by law to advise the IPA board in Chile.

The composition of expert commissions and their output depend on the subject matter. Obligatory, standing expert commissions exist that are in charge of annual outlooks, formalized reports, government white books, and so forth. Other ad hoc expert commissions are tasked to provide a one-off recommendation or advice on a specific question or topic.

An expert commission’s main strength is bringing to bear in-depth knowledge from outside the government. The composition of an expert commission is flexible and can be targeted to a specific issue. Relevant experts on any specific issue can be invited to participate in an expert commission, and the agenda and output of the commission can be framed according to the information the government needs or requests.

An expert commission should be set up with a clear understanding of its tasks, modalities, and expected outputs, budget, and timelines. A chair should be appointed and membership selected to fit the tasks envisaged. Each member should have detailed terms of reference.

Table 2 summarizes the key features of the five types of high-level investment structures. Each of these features can be influenced by the setup of the type of arrangement—for example, by determining the composition of the participants, the use of a legal instrument, the formulation of the mandate, or the applicable procedures.

For the strengths of each type of structure and its relation to its best-matching functions, please refer to figure 3 on page 16.

Poor Experiences

Before proceeding, one must realize that initiatives to put such high-level structures in place can also go wrong. Box 7 describes a case with which the WBG was involved several years ago; the case has, for obvious reasons, been anonymized.

Table 2. Summary of key features

<table>
<thead>
<tr>
<th>Feature</th>
<th>Investor Roundtable</th>
<th>Investment Council</th>
<th>Ministerial Committee</th>
<th>IPA Board</th>
<th>Expert Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal base (law/regulation)</td>
<td>-</td>
<td>+</td>
<td>+/-</td>
<td>+</td>
<td>+/-</td>
</tr>
<tr>
<td>Private sector involvement</td>
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<td>+</td>
<td>-</td>
<td>+</td>
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<td>Decision power</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>Formalized permanent arrangement</td>
<td>-</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+/-</td>
</tr>
<tr>
<td>Flexible structures: Informal/ad hoc</td>
<td>+</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>+/-</td>
</tr>
</tbody>
</table>

Notes: In the table above, a “+” means that the factor is a strong characteristic of the type and, hence, a strength, whereas a “-” indicates that the characteristic is not present and, hence, potentially a weakness. IPA = Investment Promotion Agency.

BOX 7. POOR EXPERIENCE WITH HIGH-LEVEL STRUCTURES FOR INVESTMENT

A country attempted to implement high-level bodies for investment, including an investment advisory council and an Inter-Ministerial Committee. Despite good intentions to fill the identified gaps at the time, including coordination, the Inter-Ministerial Committee did not perform well. The World Bank Group found that the committee, which was supposed to meet every six months, had not met in four years. The main reason given was a lack of support from the top level of government to attend the meetings, which led to increasing absences by ministers and a revolving door of members, thus disrupting continuity to previous agreements and discussions. Another issue was an absence of technical working groups focused on specific issues, and the national IPA had poor convening power. The upshot of this situation is that gaps and overlaps in functions between ministries and agencies and weak coordination may still prevail.

Section 4: Selecting the Type and Nature of High-Level Investment Structures or Arrangements

The government may decide to introduce one of these higher-level bodies or a combination of several of them, in parallel or sequentially, depending on the need at hand.

In terms of deciding which of these high-level bodies might be needed, governments should first identify possible shortcomings or weaknesses in the current institutional structures for investment policy and promotion. For example, weaknesses might include conflicts or disagreements between ministries and agencies in charge of investment policy (hence, a need for higher-level political engagement and better technical coordination), a lack of insight or information about investors’ perceptions or attitudes (hence, a need for better consultation with investors), or uncertainty about the impact on investment from the minimum global tax rate (hence, the need for international expert assessment and recommendations). Such an analysis can help governments choose the additional institutional arrangement that is best suited to address the areas that need to be strengthened. Figure 5 visualizes the reform approach.
Why does the institutional framework for investment promotion underperform?
This question requires an analysis of the reason for institutional underperformance.

Can it be improved by reforming one or more of the existing institutions or processes?
Reforming or strengthening an existing institution is usually less costly and more resource efficient than creating an additional institution.

If not, can an additional high-level institutional arrangement fill the gap and solve the problem?
Based on its strengths, is the high-level arrangement able to address the problem that was identified?

If so, the government should follow international good practice when establishing the new arrangement.
Care is needed because the right arrangement set up in the wrong way may not fix the problem but may even cause a range of new problems.


A detailed case study on the high-level institutional structures for investment adopted by Chile is described in appendix B.
Section 5: Conclusions and Recommendations to Policy Makers

Conclusions

A well-functioning institutional landscape for investment promotion is important to help achieve a country’s development goals. A government typically has a range of institutions established to set investment policy and to implement policy for the attraction, retention, and growth of foreign investment. Those institutions would typically include a lead ministry responsible for investment; a national IPA; subnational IPAs, where relevant; and dedicated investment-related regulatory institutions.

In addition, governments have other options to increase the effectiveness and efficiency of the institutional framework for investment promotion through the addition of cross-cutting, high-level institutional structures. Those options range from informal to formal, public only or public-private, and ad hoc or permanent structures that have decision powers or an advisory role. Such bodies would typically include Investor Roundtables, Investment Councils, Ministerial Committees, IPA Boards, and Expert Commissions.

As illustrated, each option has different strengths, and the high-level structures are not mutually exclusive; in other words, a country may have one, a few, or all of those bodies in parallel or in sequence. On the basis of an analysis of the strengths and weaknesses of the current institutional structures, a government can choose whichever high-level institutional arrangement, or combination thereof, best addresses the identified gaps or shortcomings.

Nevertheless, various best practice studies and surveys with investors point clearly to two key factors that any successful investment promotion institutional framework needs to harness—
namely, strong and effective interdepartmental coordination and strong and relevant feedback from the private sector.

**Recommendations**

Whatever combination of high-level bodies a government selects, it must ensure that those two key factors (consultation with the private sector and interdepartmental coordination) are built in.

Policy makers should consider the principles and process described in this note when selecting and establishing such higher-level bodies. The process should start by clearly identifying the needs (gaps or shortcomings) of the overall institutional framework and undertake a substantive discussion of the options set out in this note. Governments can then select the institution or institutions that best suit their needs.

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**Further Research**

This note attempts to summarize what existing knowledge tells us about the importance, types, and purposes of cross-cutting investment structures; however, further research is clearly necessary to shed more light on key policy issues, such as the following:

- More information concerning the use, characteristics, and perceived performance of the different types of high-level structures.

- Research and analytics about the conditions or factors that determine the success of each type of arrangement. For example, which models work best in what circumstances?

- Detailed case studies to help articulate the options open to a country’s policy makers—for example, better defining how each type can be structured, what their modus operandi should be, and how the legal basis for each type should be drafted. Case studies could also throw further light on mandates, membership, information exchange, reporting lines, and interactions with other institutions.
Appendix A: Investment Facilitation for Development Agreement (IFA)

Given that this note is about conducive institutional structures for the attraction of foreign direct investment, worth noting is the Investment Facilitation for Development Agreement (IFA), which is currently being negotiated at the World Trade Organization. The purpose of such a framework is to help WTO members—particularly developing and least developed countries members—to implement investment facilitation measures, promote good governance, and boost sustainable investment flows.

The main focus of the IFA is on improving the transparency, efficiency, and effectiveness of investment-related administrative procedures. The main substantive sections of the negotiating text are transparency of investment measures, streamlining and speeding up investment-related administrative procedures, focal points, domestic regulatory coherence and cross-border cooperation, and sustainable investment. More sensitive topics such as market access, investment protection, and investor–state dispute settlement are not included in the scope of the IFA.

In relation to the WBG’s Comprehensive Investor Services Framework (CISF) (Heilbron and Aranda-Larrey 2020), the IFA helps establish a minimum level of service, mostly related to readily available information (for example, through IPA websites) for administrative procedures, which fall mostly at the investment entry stage of the investment life cycle but also through operations.

Adoption of the IFA by countries will introduce a set of obligations in the areas outlined above and reinforce the importance of a well-functioning national architecture of institutional structures for investment policy and promotion.
Appendix B: Case Study: Chile—High-Level Institutional Structures in Action

The information in this case study is drawn from the 2015 OECD report “Strengthening Chile’s Investment Promotion Strategy” and other published sources (see footnotes below).

In selecting appropriate cross-cutting institutional structures it is critical to ensure that the selected solution fits well into the existing institutional landscape in a country. To illustrate this topic, the following short case study shows the approach adopted by Chile.

The current institutional framework for investment promotion in Chile includes the following core institutions (OECD 2015b, 28–35):

- President and cabinet in charge of economic policy.
- Lead ministry in charge of investment promotion.
- Investment promotion agency—InvestChile—in charge of implementing foreign investment promotion policy.
- Special ministries and agencies in charge of specific elements of investment promotion—for example, CORFO (Production Development Corporation, responsible for technology innovation and human capital), ProChile (export promotion bureau), government tourism department, Ministry of Labor and Social Security (labor market issues), and others.
- Regulatory authorities relevant for the investment climate—for example, Servicio de Evaluación Ambiental (Environmental Assessment Service), Registro de Comercio (business registration), and the Internal Revenue Service (SII—tax registration and ID), CORFO (incentives), and others.
- Subnational institutions involved in investment promotion—for example, development and promotion of FDI through the regional governments (GORE).

In addition, the institutional framework in Chile includes various high-level, cross-cutting institutional structures to improve the performance of the overall institutional regime:

Ministerial Committee for Foreign Investment. Committee of Ministers for the Development and Promotion of Foreign Investment. The committee is established by law and chaired by the Minister of Economy, Development and Tourism. In addition to the Minister of Finance, other ministerial members of the committee are appointed by presidential decree. Ministers can only be replaced by undersecretaries, and other officials may be requested to join a meeting. The director of the Foreign Investment Promotion Agency (InvestChile) joins the meetings and acts as the committee’s secretary.

Functions and powers of the Committee are as follows:

1. Propose to the president of the republic the strategy for the development and promotion of foreign investment.
2. Define—in accordance with the proposals of the Foreign Investment Promotion Agency—the plans, programs, and priorities for implementation of the strategy for development and promotion of foreign investment.
3. Ensure proper consistency between the promotion strategy and the measures and actions implemented by the Foreign Investment Promotion Agency.
4. Ensure coordination among the different state bodies related to implementation of the promotion strategy. In the exercise of this power, it may charge the Foreign Investment Promotion Agency with coordination of the actions taken by regional governments to promote and attract foreign investment.
5. Evaluate the implementation of the promotion strategy and other plans and programs related to the development and promotion of foreign investment.

Public-Private Council for Foreign Investment. Established under the powers of the national IPA (InvestChile), this body acts as a consultative advisory council for the agency and its strategy. It comprises representatives of the public and private sectors, with the mandate to advise the director of the IPA on the definition of medium- and long-term objectives and to evaluate activities, initiatives, and efforts made by the agency.

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10. Ley 20.848.
Figure 6. Institutional landscape for investment promotion and its implementation in Chile

Source: World Bank Group elaboration with inputs from InvestChile.
References


References


